MULTIMEDIA UNIVERSITY ®

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2019/2020

BAE1834 – ENGLISH FOR BUSINESS STUDIES

(Distance Education)

12 OCTOBER 2019
9.00 a.m. – 11.00 a.m
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **SIX** printed pages with **TWO** sections.
2. Answer **ALL** sections.
3. Write all your answers in the Answer Booklet provided.

SECTION A: READING COMPREHENSION [30 MARKS]

Instructions: Read the passage carefully and answer ALL questions that follow.

Is China About to Launch Its Own Cryptocurrency?

1 The world first moved to paper money from gold and silver more than 1,000 years ago during China's Song Dynasty. The next revolution from paper money to digital currency could happen in China as well, realizing the nation's critical goals but with complex implications for global trade and economic order. This transformation is being driven by China's domestic and geopolitical priorities, enabled by technology, and accelerated by the chaotic trade war initiated by the current US administration.

2 By mid September, US President Donald Trump announced tariffs on $250 billion worth of Chinese imports, while threatening a further $267 billion-worth. In 2017, China exported $505.5 billion in goods and services to the US, versus $130 billion from the US to China. [1 .] However, as the smaller importer, China will need to go beyond its trade ammunition. One strategic move China could make is to release its dark horse: a digitalized renminbi (RMB).

3 *In the ashes of the 2008 global financial crisis*, a mysterious person or group of people going by the name Satoshi Nakamoto created Bitcoin. Their aim was a more decentralized world, free from intervention by centralized institutions such as central banks. However, the tool that is adapted generally reflects the principle, and the not the tool itself. Thus, the irony Satoshi's original libertarian followers might have to swallow is that one of the most powerful centralized institutions in the world, PBOC (People's Bank of China) which is China's central bank could be adopting Bitcoin's underlying technology, blockchain to digitalize the RMB.

4 [2.] On 5th October, China Finance, PBOC's official magazine, published an article analyzing the necessity of issuing an official digital currency, starting on a controlled scale. China is well placed to leapfrog to a digital currency and the Chinese government sees great domestic and geopolitical advantages in creating one. China is already the largest cashless economy in the world, thanks to the duopoly of mobile payment apps like WeChat, by Tencent, and Alibaba's Alipay. In 2017, the US hosted a total of $337 billion in online payments. In China, it was a whopping $15.7 trillion, $3.2 .trillion more than Visa and Mastercard's combined global volume. However, Alibaba and Tencent are not owned by the state and it is highly unlikely the Chinese government will allow such a crucial shift to be controlled by private companies.

5 [3. .] Around $10 trillion is floating around outside the US, and despite the immense national debt, the dollar remains solid for now. However, predicting when the US dollar will lose its global dominance has become economists' favorite sport. The Eurozone has its own internal challenges and the yen lacks global ambition. The real question now is how the PBOC will form and execute its RMB internationalization strategy.

6 China's GDP will overtake that of the US in nominal terms in just a few years. But China is struggling to reconcile its ambition to internationalize its

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currency with its desire to maintain very tight capital controls. The One Belt One Road initiative could allow China to control *the artery of trade* in global emerging markets, where most growth will take place in the coming decades. If the PBOC issues its own cryptocurrency and uses it to replace the dollar for trade along the belt and road, it could challenge the dollar's dominance and offer optionality to these countries. A considerable portion of the belt and road trade and investments are being carried out by Chinese state-owned enterprises with a political mandate. [4. .] Such a digitally controlled approach could allow China to strike a balance between capital control and RMB internationalization that was not possible before. China's digital currency revolution would expedite the accelerating retreat of the US in international trade while serving the Chinese government's key domestic agendas and potentially have a profound impact on the society as we know it.

7 Eradicating extreme poverty by 2020 is a key promise made by President Xi Jinping. China has lifted 66 million people out of extreme poverty in the past five years. Some 30 million people, mostly living in remote rural areas, are still living under the official poverty line of RMB2,300 which is around $360 a year. The central government's aid to those populations is often siphoned off by layers of corrupt local officials. With an account from the central bank, these families would receive this aid directly. President Xi most recently announced $60 billion of aid to African countries focused on building infrastructure. With a digitalized RMB, China would be able to track how such financial aid is spent locally. Such progress could serve China well globally and, in many aspects, domestically, but who will bear the costs of the disruption in the long term? Globally, a comprehensive prediction on the chain effect and the macroeconomic impact is very difficult to make.

8 Domestically, if every individual and business had an account directly with the central bank, it would obviously replace many key functions of the retail and commercial banks. This would require a major overhaul to an already challenged banking system. How would the PBOC facilitate all the individual and corporate lending? One path is perhaps leveraging China's world-leading supercomputers and machine learning to automate lending, like some tech startups in China are doing today with micro-lending. It could be an interesting way to prevent corruption, because it is hard to bribe an algorithm.

9 Furthermore, immutability which is the fundamental aspect of blockchain is a commitment to fairness and potential transparency. This should be progress, but only if the government is ready for it. On the flip side, the individual price for immutability is the privacy and the personal right to be forgotten in any given financial transactions.

10 Most important of all and this goes well beyond China, excessive digitalization, surveillance, and centralized data ownership are our generation's greatest and most pervasive threats to personal freedom and the modern democracy. [5. .] A central-bank-backed cryptocurrency might well be a smart and inevitable step to serve crucial national interests. It might also provide great convenience in our daily lives. However, without much reflection, we have already given tremendous amounts of valuable personal

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data to centralized institutions and corporations in exchange for convenience or to satisfy our vanity. If countries start to issue digital currencies and we subsequently surrender our personal transaction data as well, how much more convenience we need before we realize it is too late and too impossible to be free?

11 With that in mind, as we release the dark horse of national currency digitilazation, the question of whether it is progress towards a better society for our future generations becomes ever-more pressing.

Adapted from: Scott, J.Z (15Oct 2018). Is China About to Launch Its Own Cryptocurrency? Retrieved from: https://www.weforum.org/agenda/2018/10/is-china-about-to-launch-its-own-cryptocurrency/

Question I (5 marks)

Instructions: Decide which of the sentences (a) – (e) best fits in each of the boxes labelled 1-5 in the passage.

a. This could make the implementation of a PBOC backed currency more efficient. ☐

b. China has vowed to retaliate with counter-tariffs. ☐

c. In recent months, it has been repeatedly reported that PBOC is researching and developing its own digital currency. ☐

d. We are witnessing by far the largest political and psychological backlash against technology globally since the first internet boom. ☐

e. As the global reserve currency, one of the many reasons the US economy remains competitive is the dollar's dominant role in global trade. ☐

Question II (5 marks)

Instructions: Find a word in the passage for each of the meanings below.

a. cause a process or action to begin. (Paragraph 1)
b. extremely large or great, especially in scale or degree. (Paragraph 5)
c. of a state, quality, or emotion very great or intense. (Paragraph 6)
d. draw off or transfer over a period of time, especially illegally or unfairly. (Paragraph 7)
e. especially of an unwelcome influence or physical effect spreading widely throughout a group of people. (Paragraph10)

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Question III (20 marks)
Instructions: Answer the following questions in complete sentences.

a. Why has China decided to move towards cryptocurrency? (2 marks)

b. In what way could China counter attack US on the tariff imposed by President Donald Trump? (1 mark)

c. What can be inferred from the phrase *In the ashes of the 2008 global financial crisis* (line 15)? (1 mark)

d. In paragraph 3, why is it an irony that China has decided to use the Bitcoin? (3 marks)

e. Why is China able to leapfrog to a digital currency? (2 marks)

f. In line 45, what is the writer inferring to when he refers to China as controlling the "*artery of trade*" in global emerging markets? (1 mark)

g. How would China be impacted if the POBC issues its own cryptocurrency for trade along the One Belt One road? (3 marks)

h. State TWO problems that China might face by digitalizing RMB to help eradicate poverty? (2 marks)

i. (i) What is the tone of the writer in paragraph 10? (3 marks)
(ii) Support your answer with TWO examples from the paragraph.

j. State the writer's overall purpose of writing the article. (2 marks)

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SECTION B: LANGUAGE FOCUS [20 MARKS]

Question I (10 marks)

Instructions: Construct ONE concise sentence based on each set of sentences in the questions below.

Example: (0) In the month of April, we detected a quality control issue. It was instructed by the CEO that this item be presented by the manager at the next board meeting.
The CEO instructed the manager to present the quality control issue detected last April, in the next board meeting.

a. It was on March 20, 2018, when Amazon became the second most valuable company in the world. Its market capitalization exceeded $768 billion. (2 marks)

b. Millennials at the moment make up more than half of the workforce in many countries. A report by EY estimated that by 2025, they are the ones who will comprise 75 per cent of the global workforce. (2 marks)

c. SME Bank Malaysia Bhd, is embarking on transformation programme which will be for two years. It is targeting to approve RM3.5bil in financing small and medium enterprises (SMEs) this year. (2 marks)

d. Warren Buffet is considered one of the most successful investors in the world. He is said to have a net worth of US$89.9 billion as of May 4, 2019. This makes him the third-wealthiest person in the world. (2 marks)

e. Branding plays a pivotal role in the company. The only way for this is that it has to have a strong support from the CEO and corporate management. (2 marks)

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Question II (10 marks)

Instructions: For each word below, add a suitable affix or affixes, and construct a sentence in not less than 10 words **set in a business context** using the newly-formed word.

Example: (0) popular (Add a suffix)
Word: popularity
Sentence: Online shopping in Malaysia is poised for significant growth, given its rising popularity and adoption among local consumers.

a. sufficient (Add a prefix)

b. relevant (Add a prefix)

c. connect (Add a suffix)

d. consider (Add a suffix)

e. communicate (Add a prefix and a suffix)

End of Paper